

TESTIMONY
OF
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DISTRICT OF COLUMBIA AUDITOR

Fiscal Year 2014 Budget Hearing
Committee of the Whole
Council of the District of Columbia

April 19, 2013

1:00 PM

Chairman Mendelson and Members of the Committee of the Whole: Thank you for the opportunity to present testimony on the proposed Fiscal Year 2014 budget for the Office of the District of Columbia Auditor. I am Yolanda Branche, District of Columbia Auditor. Accompanying me are Lawrence Perry, Deputy District of Columbia Auditor and Hussein Aden, Agency Financial Officer.

I will briefly address the Mayor's proposed Fiscal Year 2014 budget and staffing for the Office of the D.C. Auditor.

The mission of the Office of the District of Columbia Auditor is to assist the Council in performing its responsibilities by auditing the accounts and programs of the District to ensure that effective programmatic and budgetary decisions are made. The Office of the D.C. Auditor examines the use of public funds, evaluates District government programs and activities, and provides analyses and recommendations to assist the Council in making effective oversight, programmatic and budgetary decisions. Through our audit work, we seek to ensure that the District government's operations, programs, and activities are conducted economically, efficiently, effectively, and in compliance with applicable laws, regulations, and rules. Underlying this mandate is our responsibility to be alert to instances of fraud, waste, abuse and mismanagement of District resources.

The locally funded Fiscal Year 2014 budget for the Office of the D.C. Auditor proposed by the Mayor is \$4.6 million with 34 FTEs. The \$4.6 million budget includes a total of \$650,000 which is to be used exclusively to fund a Council mandated evaluation of District of Columbia Public Schools, pursuant to the Public Education Reform Amendment Act of 2007. Excluding the \$650,000 in funding for the DCPS evaluation of schools, the proposed Fiscal Year 2014 local operating fund budget for ODCA is \$3.9 million. The budget for ODCA in Fiscal Year 2013 also was \$4.6 million and also included \$650,000 to fund the evaluation of public schools. Excluding the \$650,000 in funding for the DCPS evaluation, the approved Fiscal Year 2013 operating budget for ODCA was \$3.9 million.

While the Fiscal Year 2014 proposed budget includes 34 FTEs for ODCA, 3 of the 34 FTEs are not fully funded. As a result, 3 FTEs will be funded at a level that will not permit ODCA to hire individuals who have the necessary skills and experience to conduct effective audits.

In FY 2013, to cover insufficiently funded operating expenses such as training, information technology software leases and copier leases, ODCA reprogrammed funding from personnel services to non-personnel services. Since the proposed budget of \$3.9 million for FY 2014 does not include a budget increase, as in FY 2013, ODCA will have to use funding for personnel services to pay for non-personnel expenses.

We are requesting an operating budget increase of \$300,000 for Fiscal Year 2014. With a \$300,000 increase ODCA will be able to fully fund the 3 FTEs that are not fully funded and adequately fund non-personnel services. With the \$300,000 increase, it will not be necessary for ODCA to use personnel services to pay for non-personnel services. In addition, ODCA requests \$100,000 to fund the District of Columbia Auditor Legal Fund. The District of Columbia Auditor Legal Fund is to be used to enforce the D.C. Auditor's subpoena power. However, the legislation that established the Auditor Legal Fund relied on the successful enforcement of subpoenas for funding. As a result, the Auditor Legal Fund is unfunded. In Fiscal Year 2014, if a situation develops that requires the Office of the D.C. Auditor to initiate a lawsuit to enforce the subpoena authority, ODCA would have to find the funds to retain outside counsel and pay additional fees and costs. In 2009, before passage of the legislation that established the Auditor Legal Fund, it cost ODCA \$101,692 to initiate a lawsuit to enforce the subpoena authority.

An increase in the FY 2014 budget of \$400,000 would provide ODCA with the necessary funding to meet the expectations of the Council and residents by issuing relevant, comprehensive, timely audit reports. Regarding the issue of the timely issuance of audit reports, one of our top priorities for Fiscal Year 2014 is to increase the number of audit reports that are issued and to decrease the time that it takes to conduct audits.

The audit process is complex and frequently involves unanticipated issues that must be addressed before the issuance of the report. On occasion, unanticipated issues can delay the issuance of audit reports. As required by generally accepted auditing standards, our audit process consists of four phases: planning, surveying, fieldwork, and reporting. In the planning phase, we are required to ensure that the staff assigned to conduct the audit is independent and competent. We also have to determine the audit's preliminary objectives and establish the audit timeline. In the survey phase, we are required to obtain a clear understanding of the relevant operations through background research, internal control and risk assessments, and legislative analysis. Based on this understanding, we design and execute our fieldwork strategy consisting of test sampling and verification. The survey and fieldwork phases require that we conduct a number of interviews, gain access to all relevant documentation and complete the necessary analysis and testing. Finally, during the reporting phase, we evaluate and communicate survey results and fieldwork findings. We also complete a comprehensive quality assurance process that includes a minimum of three weeks for agency review and comment on the draft report.

To increase the number of audit reports and decrease the time that it takes to conduct audits, ODCA is working to improve the management of key areas of the audit process. In general, the most common reason for delays in the issuance of audit reports is poor planning of the audit and inadequate supervision. To decrease delays in the issuance of audit reports, ODCA improved our policies and procedures and we are increasing our audit supervision. In addition, we will continue to build a staff that has the requisite skills and experience to deliver relevant, accurate audit reports in a timely manner. However, to ensure that ODCA can continue to build a staff that has the requisite skills and experience the Fiscal Year 2014 budget should include full funding for all of the 34 FTEs that are designated for ODCA in the Mayor's proposed budget.

To provide timely, comprehensive, relevant audit reports, and to fund the Auditor Legal Fund, I urge the Council to increase the Fiscal Year 2014 budget of the Office of the D.C. Auditor by \$400,000. Chairman Mendelson and members of the Committee, thank you again for the opportunity to appear before you. We will respond to any questions.

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